

**NORTHEAST KANSAS MULTI-COUNTY
HEALTH DEPARTMENTS, INC.**

Hiawatha, Kansas

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
For the years ended June 30, 2015 and 2014

And

INDEPENDENT AUDITOR'S REPORTS ON FINANCIAL STATEMENTS

...***KL***...

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NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.

Hiawatha, Kansas

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...KL...

Karlin & Long, LLC
Certified Public Accountants

Board of Directors
Northeast Kansas Multi-County Health Departments, Inc.
907 S. 2nd Street
Hiawatha, KS 66434

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Northeast Kansas Multi-County Health Departments, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the business type activities of Northeast Kansas Multi-County Health Departments, Inc. as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northeast Kansas Multi-County Health Departments, Inc. (a nonprofit organization), basic financial statements. The Schedules of Net Service Revenues, Grant Revenues, and Activities – Actual and Budget enclosed are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Net Service Revenues, Grant Revenues, and Activities – Actual and Budget are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015, on our consideration of Northeast Kansas Multi-County Health Departments, Inc. internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Northeast Kansas Multi-County Health Departments, Inc.'s internal control over financial reporting and compliance..



Karlin & Long, LLC
Certified Public Accountants

October 26, 2015
Lawrence, Kansas

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current assets		
Cash and cash equivalents (Note 1)	\$ 794,657	\$ 882,086
Accounts receivable (Note 4)		
Patient care and health services	185,223	308,955
Government funding	33,038	38,709
Inventory - pharmaceutical supplies (Note 2)	3,583	3,478
Prepaid expenses	<u>3,617</u>	<u>3,616</u>
Total current assets	<u>1,020,118</u>	<u>1,236,844</u>
Fixed assets		
Property and equipment, at cost (Note 6)	169,382	183,381
Accumulated depreciation	<u>(132,907)</u>	<u>(135,743)</u>
Total fixed assets	<u>36,475</u>	<u>47,638</u>
Total assets	<u><u>\$ 1,056,593</u></u>	<u><u>\$ 1,284,482</u></u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 43,934	\$ 10,505
Payroll taxes payable	310	13,938
Accrued salaries payable	2,416	5,535
Accrued compensated absences (Note 7)	<u>50,444</u>	<u>49,976</u>
Total current liabilities	<u>97,104</u>	<u>79,954</u>
Net Position		
Unrestricted	<u>959,489</u>	<u>1,204,528</u>
Total net position	<u>959,489</u>	<u>1,204,528</u>
Total liabilities and net position	<u><u>\$ 1,056,593</u></u>	<u><u>\$ 1,284,482</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

STATEMENTS OF ACTIVITIES
For the years ended June 30, 2015 and 2014

	2015	2014
	Total	Total
Support		
Net service revenue	\$ 1,134,169	\$ 1,361,879
County tax levies	199,353	245,589
Grant revenue	365,529	458,722
Contributions in-kind (Note 7)	46,000	46,000
Contributions	8,678	4,481
Fundraiser	3,122	-
Miscellaneous	3,839	2,337
Interest income	832	955
	<hr/>	<hr/>
Total revenues	1,761,522	2,119,963
	<hr/>	<hr/>
Expenses		
Community health services	79,501	82,328
Certified Breastfeeding Peer Counsel	17,833	15,547
NEK - Environmental services	66	79,146
Family planning	43,384	46,428
NEKES - In Kind	3,640	7,714
Maternal and child health	130,859	133,793
Home health	264,545	235,588
Hospice care	650,739	618,073
Friends of hospice	1,799	1,103
United Way pharmacy	155	-
Immunization action	18,124	16,099
Kansas Health Foundation	-	2,471
Bioterrorism emergency response	49,827	35,004
State formula	35,427	31,003
Senior care	6,889	-
Child care licensing	7,550	1,869
Tobacco prevention program	4,479	129,768
County levy	264,662	205,343
WIC	189,188	169,440
	<hr/>	<hr/>
	1,768,667	1,810,717
	<hr/>	<hr/>
Net Increase (Decrease) in Net Position	(7,146)	309,246
Net position, beginning of year	1,204,528	895,282
Distribution of value to entity no longer related (Note 5)	(237,893)	-
	<hr/>	<hr/>
Net position, end of year	<u>\$ 959,489</u>	<u>\$ 1,204,528</u>

The accompanying notes to financial statements
are an integral part of this statement.

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.

Hiawatha, Kansas

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended June 30, 2015 and 2014

	Community Health Services	Certified Breastfeeding Peer Council	NEK Environmental Services	Family Planning	NEKES In-Kind
Support					
Net service revenue	\$ 100,615			\$ 21,705	
County tax levies			1,220		
Grant revenue		17,235			
Contributions in-kind (Note 7)					
Contributions					
Fundraiser	150				
Miscellaneous	1,641				
Interest income	832				
Total revenues	<u>103,238</u>	<u>17,235</u>	<u>1,220</u>	<u>21,705</u>	<u>-</u>
Expenditures					
Payroll expenses	32,233	14,237	598	19,857	2,954
Travel	741	626		4	296
Professional fees					
Contracted labor - general	50			1,235	390
Contracted labor - medical	2,256			4,290	
Advertising					
Insurance	4,003		(532)		
Repairs and maintenance	81				
Rent	36				
Utilities	627				
Biological supplies and prescriptions	30,841			17,266	
Distribution to sub-recipient					
Supplies	6,160				
Telephone	1,211	2,338		348	
Seminars	(790)	632			
Dues and subscriptions	1,079				
Postage	528			7	
Printing and reproduction	194			377	
Copier lease	(180)				
Bank service charges	346				
Small equipment					
Depreciation					
Internet					
Memorial expense					
Miscellaneous	85				
Total Expenditures	<u>79,501</u>	<u>17,833</u>	<u>66</u>	<u>43,384</u>	<u>3,640</u>
Revenues over expenditures	<u>\$ 23,737</u>	<u>\$ (598)</u>	<u>\$ 1,154</u>	<u>\$ (21,679)</u>	<u>\$ (3,640)</u>

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NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.

Hiawatha, Kansas

STATEMENTS OF FUNCTIONAL EXPENSES (continued)

For the years ended June 30, 2015 and 2014

	Maternal and Child Health	Home Health	Hospice Care	Friend of Hospice	United Way Pharmacy
Support					
Net service revenue	\$ 23,277	\$ 254,423	\$ 727,718		
County tax levies					
Grant revenue	88,013				
Contributions in-kind (Note 7)					
Contributions			8,678		
Fundraiser		25	1,005	1,942	
Miscellaneous	2,191		7		
Interest income					
Total revenues	113,481	254,448	737,408	1,942	-
Expenditures					
Payroll expenses	88,020	128,402	278,534		
Travel	2,128	24,714	21,498		
Professional fees		388	5,738		
Contracted labor - general	10,181		11,071		
Contracted labor - medical		49,491	138,032		
Advertising		1,993	2,564	50	
Insurance	6,934	16,138	16,778		
Repairs and maintenance	1,118				
Rent	12	3,075	55,468		
Utilities	9,613	1,798	2,207		
Biological supplies and prescriptions		286	63,682	76	155
Distribution to sub-recipient					
Supplies	2,708	10,539	26,508	251	
Telephone	5,189	777	2,916		
Seminars	750	365	470		
Dues and subscriptions		2,138	1,437		
Postage	593	245	451	116	
Printing and reproduction	532	324	730		
Copier lease	2,179	215	621		
Bank service charges	76				
Small equipment	258	22,226	20,356		
Depreciation					
Internet	568	1,429	1,625		
Memorial expense			53	1,206	
Miscellaneous				100	
Total expenditures	130,859	264,543	650,739	1,799	155
Revenues over expenditures	\$ (17,378)	\$ (10,095)	\$ 86,669	\$ 143	\$ (155)

The accompanying notes to financial statements
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NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

STATEMENTS OF FUNCTIONAL EXPENSES (continued)

For the years ended June 30, 2015 and 2014

	<u>Immunization Action</u>	<u>Kansas Health Foundation</u>	<u>Bioterrorism Emergency Response</u>	<u>State Formula</u>	<u>Senior Care</u>
Support					
Net service revenue	\$ -	\$ -	\$ -	\$ -	\$ 6,431
County tax levies					
Grant revenue	12,655	2,471	45,300	25,978	
Contributions in-kind (Note 7)					
Contributions					
Fundraiser					
Miscellaneous					
Interest income					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	12,655	2,471	45,300	25,978	6,431
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures					
Payroll expenses	17,132		32,572	35,360	5,120
Travel	435		3,244	41	1,769
Professional fees					
Contracted labor - general	260		4,979	26	
Contracted labor - medical					
Advertising					
Insurance			1,337		
Repairs and maintenance	122				
Rent					
Utilities					
Biological supplies and prescriptions					
Distribution to sub-recipient			288		
Supplies					
Telephone			843		
Seminars	175		960		
Dues and subscriptions			4,799		
Postage					
Printing and reproduction					
Copier lease			52		
Bank service charges					
Small equipment					
Depreciation					
Internet			753		
Memorial expense					
Miscellaneous					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	18,124	-	49,827	35,427	6,889
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Revenues over expenditures	<u>\$ (5,469)</u>	<u>\$ 2,471</u>	<u>\$ (4,527)</u>	<u>\$ (9,449)</u>	<u>\$ (458)</u>

The accompanying notes to financial statements
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NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.

Hiawatha, Kansas

STATEMENTS OF FUNCTIONAL EXPENSES (continued)

For the years ended June 30, 2015 and 2014

	<u>Child Care Licensing</u>	<u>CDDR</u>	<u>County Levy</u>	<u>WIC</u>
Support				
Net service revenue				
County tax levies			198,133	
Grant revenue	6,956			166,921
Contributions in-kind (Note 7)			46,000	
Contributions				
Fundraiser				
Miscellaneous				
Interest income				
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	<u>6,956</u>	<u>-</u>	<u>244,133</u>	<u>166,921</u>
Expenditures				
Payroll expenses	5,397	4,104	116,503	136,958
Travel	712	248	2,753	1,753
Professional fees			150	
Contracted labor - general		78	23,252	9,781
Contracted labor - medical			2,561	
Advertising			35	
Insurance	812		36,709	24,893
Repairs and maintenance			1,408	
Rent			46,108	
Utilities			4,262	2,213
Biological supplies and prescriptions				
Distribution to sub-recipient				
Supplies			3,953	1,660
Telephone			5,153	8,815
Seminars			358	337
Dues and subscriptions			1,156	
Postage			552	845
Printing and reproduction			317	550
Copier lease		49	1,178	
Bank service charges			587	
Small equipment	629		(126)	88
Depreciation			12,624	
Internet			1,200	1,295
Memorial expense				
Miscellaneous			3,969	
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	<u>7,550</u>	<u>4,479</u>	<u>264,662</u>	<u>189,188</u>
Revenues over expenditures	<u>\$ (594)</u>	<u>\$ (4,479)</u>	<u>\$ (20,529)</u>	<u>\$ (22,267)</u>

The accompanying notes to financial statements
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NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.

Hiawatha, Kansas

STATEMENTS OF FUNCTIONAL EXPENSES (continued)

For the years ended June 30, 2015 and 2014

	2015	2014
	Total	Total
Support		
Net service revenue	\$ 1,134,169	\$ 1,361,879
County tax levies	199,353	245,589
Grant revenue	365,529	458,722
Contributions in-kind (Note 7)	46,000	46,000
Contributions	8,678	4,481
Fundraiser	3,122	-
Miscellaneous	3,839	2,337
Interest income	832	955
	<hr/>	<hr/>
Total revenues	1,761,522	2,119,963
	<hr/>	<hr/>
Expenditures		
Payroll expenses	917,983	953,850
Travel	60,962	68,561
Professional fees	6,276	62,504
Contracted labor - general	61,303	62,025
Contracted labor - medical	196,630	178,648
Advertising	4,642	8,260
Insurance	107,072	110,203
Repairs and maintenance	2,729	647
Rent	104,699	91,684
Utilities	20,720	22,416
Biological supplies and prescriptions	112,306	108,175
Distribution to sub-recipient	288	-
Supplies	51,779	66,090
Telephone	27,590	28,321
Seminars	3,257	3,893
Dues and subscriptions	10,609	7,508
Postage	3,337	4,630
Printing and reproduction	3,024	1,158
Copier lease	4,114	7,020
Bank service charges	1,009	929
Small equipment	43,431	-
Depreciation	12,624	14,684
Internet	6,870	7,335
Memorial expense	1,259	-
Miscellaneous	4,154	2,176
	<hr/>	<hr/>
Total expenditures	1,768,667	1,810,717
	<hr/>	<hr/>
Revenues over expenditures	\$ (7,146)	\$ 309,246
	<hr/>	<hr/>

The accompanying notes to financial statements
are an integral part of this statement

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.

Hiawatha, Kansas

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2015 and 2014

	2015	2014
	Total	Total
Cash Flows From Operating Activities		
Net increase (decrease) in net assets	\$ (7,146)	\$ 309,246
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	12,624	14,684
Change in assets and liabilities		
Loss on asset disposal	3,889	-
Accounts receivable	129,403	(61,980)
Inventory	(105)	(3,152)
Prepaid expenses	(1)	(2,584)
Accounts payable	33,429	(24,595)
Accrued Salaries payable	(3,119)	2,644
Payroll taxes payable	(13,628)	9,917
Accrued compensated absences	468	(1,628)
Net Cash Provided (Used) by Operating Activities	155,814	242,552
Net Cash Flows From Investing Activities		
Purchase of property and equipment	(3,097)	(10,019)
Distribution of cash to entity no longer affiliated	(240,146)	
Net Cash Provided (Used) by Investing Activities	(243,243)	(10,019)
Net Increase (Decrease) in Cash	(87,429)	232,533
Total Cash and Cash Equivalents as of Beginning of Year	882,086	649,553
Total Cash and Cash Equivalents as of End of Year	\$ 794,657	\$ 882,086
<u>Supplemental Information</u>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

The accompanying notes to financial statements
are an integral part of this statement

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.

Hiawatha, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Description of Activities

In 1972, the governing bodies of Atchison, Brown, and Jackson Counties resolved that, pursuant to K.S.A. 65-205, the public health of the counties would best be promoted by the creation of the Northeast Kansas Multi-County Board of Health. During 1999, The Northeast Kansas Multi-County Board of Health became a not-for-profit organization and changed its name to Northeast Kansas Multi-County Health Departments, Inc. (NEKMHD). Northeast Kansas Multi-County Health Departments, Inc. (the organization) is a not-for-profit corporation organized for the purpose of providing health services to the residents of the participating counties.

Basis of Accounting

The accompanying financial statements of Northeast Kansas Multi-County Health Departments, Inc. have been prepared on an accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

In 1996, Northeast Kansas Multi-County Health Departments, Inc. has elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, Northeast Kansas Multi-County Health Departments, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Northeast Kansas Multi-County Health Departments, Inc. is required to present a statement of cash flows. As permitted by this statement, Northeast Kansas Multi-County Health Departments, Inc. has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

Under accounting principles generally accepted in the United States of America, net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions. All net assets are unrestricted.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or the passage of time.

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

Reporting Entity

The Northeast Kansas Multi-County Health Departments, Inc. is governed by a nine-member board which is comprised of a county commissioner, a medical provider, and a medical consumer from each county. The members of the Board are appointed by the respective boards of county commissioners. The NEKMHD is considered to be jointly governed by the three counties.

The NEKMHD as an entity has been defined to include, on a combined basis, (a) Northeast Kansas Multi-County Health Departments, Inc., (b) organizations for which Northeast Kansas Multi-County Health Departments, Inc. is financially accountable, and (c) other organizations for which the nature and significance of their relationship with Northeast Kansas Multi-County Health Departments, Inc. are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Each county provides local governmental support in the form of tax allocations. Tax allocations received during the years ended June 30, 2015 and 2014 were \$74,811, \$67,310, and \$61,439 from Atchison, Jackson and Brown counties for 2015 and \$78,667, \$67,310, and \$54,912 from Atchison, Jackson and Brown counties for 2014, respectively.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At year end, the carrying amount of the organization's accounts was \$794,657, which consisted of \$882,086 in open accounts. The bank account balances were \$819,858 in the open accounts. The difference was made up of outstanding checks as of June 30, 2015.

The organization's deposits are held in northeast Kansas banks and the certificates of deposit are held in a brokerage account. The Federal Deposit Insurance Corporation insures demand and time accounts up to \$250,000 per bank per account type. Amounts in the bank are secured by FDIC coverage up to \$250,000 and pledged securities by the bank for amounts in excess of \$250,000. The banking deposits of the organization were fully secured by FDIC insurance and pledged securities during the year.

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable consist of amounts due from various governmental units and from clients. The organization considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been provided. When accounts are deemed to be uncollectible, they are charged to operations. The organization uses the direct write-off method of accounting for bad debt expenses, which is a departure from accounting principles generally accepted in the United States of America. However, this departure from accounting principles generally accepted in the United States of America is considered to not have a material affect on the financial statements taken as a whole. Management believes this method approximates generally accepted accounting principles.

Inventory

Inventory is stated at cost determined by the first-in, first-out method.

Property and Depreciation

Property and equipment are recorded at cost. Depreciation is provided using the straight line method over the estimated useful life of the respective asset. Depreciation recorded for the years ended June 30, 2015 and 2014 was \$12,624 and \$ 14,684, respectively. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred.

Income Taxes Status

Northeast Kansas Multi-County Health Departments, Inc. is exempt from federal income taxes under section 501 (c) (3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Northeast Kansas Multi-County Health Departments, Inc. has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509 (a) of the Internal Revenue Code. The organization has not been involved in any activities subject to the Unrelated Business Income Tax of nonprofit organizations.

The Organization’s tax returns for the years ending 2014, 2013, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.

Hiawatha, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of certain assets, liabilities and disclosures. Accordingly, actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year the adjustment is determined.

Revenue Sources

The Northeast Kansas Multi-County Health Departments, Inc. receives federal and state monies for administering certain programs and local governmental support in the form of tax allocations from Atchison, Brown and Jackson counties. Additionally, the NEKMHD receives reimbursements from Medicaid (Title XIX), Medicaid and insurance companies, as well as payments and contributions from individuals. The governmental revenues are recognized during the period the support is intended to cover.

Functional Expenses

The NEKMHD provides public health care services to residents in Atchison, Brown and Jackson Counties. Expenses related to providing services in 2015 and 2014 were \$ 1,721,841 and \$ 1,810,717 including approximately \$344,368 and \$ 362,143, respectively, for general and administrative expenses.

NOTE 2 – Inventory

The NEKMHD had vaccines and contraceptives on hand with a cost of \$3,583 and \$ 3,478 at June 30, 2015 and 2014, respectively.

NOTE 3 – Economic Dependence

A significant portion of the organization's revenue is from governmental program payments. Any major delay or reduction in these payments could have a materially negative impact on the operating results.

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Accounts Receivable

Major classifications of accounts receivable at June 30, 2015 and 2014, respectively are as follows:

	<u>2015</u>	<u>2014</u>
Patient care and health services		
Medicare	\$ 159,402	\$ 272,455
Medicaid (Title XIX)	9,997	22,862
VA	-	4,085
Private pay and insurance	<u>15,824</u>	<u>9,553</u>
	<u>\$ 185,223</u>	<u>\$ 308,955</u>
Government funding		
State and federal grant monies	<u>\$ 33,038</u>	<u>\$ 38,709</u>

NOTE 5 – Disposition of an affiliated entity

During the fiscal year for the Northeast Kansas Multi County Board of Health, Inc., an affiliated entity that had participated in the operations of Northeast Kansas Multi County Board of Health, Inc. activities no longer continued to participate and began their own operations. Northeast Kansas Multi County Board of Health, Inc. had maintained separate cash and assets accounts for this entity and transferred the cash for the entity as well as the assets back to the entity possession. This transaction has been recorded as a change to net assets on the statement of activities as a reduction by \$ 237,893..

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.

Hiawatha, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Property and Equipment

Property and equipment accounts, including current year activity within those accounts, are comprised of the following:

	2015			
	<u>Balance</u>			<u>Balance</u>
	<u>July 01, '14</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, '15</u>
Leasehold improvements	\$ 2,310			\$ 2,310
Office equipment	151,122	2,515	(16,514)	137,123
Medical equipment	29,949			29,949
	<u>183,381</u>	<u>2,515</u>	<u>(16,514)</u>	<u>169,382</u>
Less: Accumulated				
Depreciation	<u>(135,743)</u>	<u>(12,624)</u>	<u>15,460</u>	<u>(132,907)</u>
	<u>\$ 47,638</u>	<u>\$ (10,109)</u>	<u>\$ (1,054)</u>	<u>\$ 36,475</u>

	2014			
	<u>Balance</u>			<u>Balance</u>
	<u>July 01, '13</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, '14</u>
Leasehold improvements	\$ 2,310			\$ 2,310
Office equipment	141,103	10,019		151,122
Medical equipment	29,949			29,949
	<u>173,362</u>	<u>10,019</u>	<u>-</u>	<u>183,381</u>
Less: Accumulated				
Depreciation	<u>(121,059)</u>	<u>(14,684)</u>		<u>(135,743)</u>
	<u>\$ 52,303</u>	<u>\$ (4,665)</u>	<u>\$ -</u>	<u>\$ 47,638</u>

NOTE 7 – Compensated Absences

Northeast Kansas Multi-County Health Departments, Inc. has a policy to accrue unused vacation leave as earned and to recognize the costs of sick leave when actually paid. Additionally, an employee with 10 years of work service and 90 days of accumulated sick leave will receive one month's salary upon retirement or resignation of employment.

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Compensated Absences (continued)

Full-time employees earn vacation leave based upon their years of employment. Full time employees qualify for 8 hours paid vacation per month the first through fourth years up to a maximum accumulation of 18 days, and 10 hours per month from the fifth to the tenth years up to a maximum accumulation of 22 days, and 12 hours per month after ten years of employment up to a maximum accumulation of 24 days. Part-time employees can earn vacation leave at the rate of one hour for every 22 hours worked, with a maximum accumulation of 18 days.

Full-time employees earn sick leave at the rate of one day per month with no maximum accumulation limit. Part-time employees earn sick leave at the rate of one hour for every 22 hours worked with no accumulation limit.

Accrued compensated absences were \$ 50,444 and \$ 49,976 as of June 30, 2015 and 2014, respectively.

NOTE 8 – Defined Benefit Pension Plan

Plan Description – The Northeast Kansas Multi-County Health Departments, Inc. participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined benefit pension plans provided by the Kansas Statutes Annotate Section 74-4901, et. seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy – K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depending on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414 (h) of the Internal Revenue Code. Kansas law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

The State of Kansas is required to contribute the statutory required employers share.

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.

Hiawatha, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – Defined Benefit Pension Plan (Continued)

Net Pension Liability – The total pension liability for KPERS was determined by an actuarial valuation as of December 31, 2013, which rolled forward to June 30, 2014. As of June 30 2014 the net pension liability for KPERS was \$8,291,794,910. KPERS has determined the entity's proportionate share of the net pension liability is \$ 62,731 as of June 30, 2014. The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website www.kpers.org or can be obtained as described in the first paragraph above.

NOTE 9 – Lease

The organization has agreed to lease space under a commercial lease for property in Brown County, Kansas. The lease term is two years beginning on July 1, 2014. The rental value of the lease is \$ 525 per month. At the end of the lease term, the lease has been renewed.

NOTE 10 – Risk Management

The organization is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Organization carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 11 – Subsequent Events Review

Subsequent events for management's review have been evaluated through October 26, 2015. The date in the prior sentence is the date the financial statements were available to be issued.

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
 Hiawatha, Kansas

SCHEDULES OF NET SERVICE REVENUES

For the years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Medicare		
Community health services	\$ 20,752	\$ 21,910
Home health	216,175	239,930
Hospice care	586,877	829,477
Medicaid		
Community health services	41,274	39,979
Family planning	4,067	2,948
Home health	2,681	6,653
Hospice care	135,925	116,563
Maternal and child health	22,237	16,991
Veterans administration		
Hospice care	4,357	4,085
Other third party payers		
Community health services	2,279	4,074
Family planning	-	(132)
Home health	35,567	20,734
Hospice care	559	(62,609)
Maternal and child health	60	976
Private pay		
Community health services	36,310	31,324
Family planning	17,638	20,071
Maternal and child health	980	657
Senior care	6,431	1,930
Environmental - water and sewer tests		66,178
	<u>\$ 1,134,169</u>	<u>\$ 1,361,879</u>

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

SCHEDULES OF GRANT REVENUES
For the years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Bioterrorism emergency response	\$ 45,300	\$ 43,541
CDRR	-	105,744
Certified breastfeeding	17,235	16,485
Child care licensing	6,956	-
Immunization action program	12,655	13,046
Kansas Health Foundation	2,471	2,925
Maternal and child health	88,013	92,645
State formula	25,978	27,881
United Way - Pharmacy	-	1,500
Women, Infants and Children	166,921	154,955
	<u>\$ 365,529</u>	<u>\$ 458,722</u>

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

SCHEDULE OF ACTIVITIES - ACTUAL AND BUDGET

For the year ended June 30, 2015

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>	<u>2014 Actual</u>
Revenues				
Net service revenues	\$ 1,134,169	\$ 1,201,908	\$ (67,739)	\$ 1,361,879
County tax levies	199,353	203,032	(3,679)	245,589
Grant revenues	365,529	437,827	(72,298)	458,722
Contributions in-kind	46,000	-	46,000	46,000
Contributions	8,678	-	8,678	4,481
Fundraiser	3,122			
Miscellaneous	3,839	-	3,839	2,337
Interest revenue	832	853	(21)	955
	<u>1,761,522</u>	<u>1,843,619</u>	<u>(85,219)</u>	<u>2,119,963</u>
Expenses				
Personnel services	978,945	1,061,555	82,610	1,012,560
Contractual services	375,923	364,549	(11,374)	366,978
Commodities	401,175	205,822	(195,354)	334,036
Depreciation	12,624	56,356	43,732	17,360
	<u>1,768,667</u>	<u>1,688,281</u>	<u>(80,386)</u>	<u>1,730,934</u>
Change in net assets	<u>\$ (7,146)</u>	<u>\$ 155,338</u>	<u>\$ (165,605)</u>	<u>\$ 389,029</u>

Note: Budgets for the NEKMHD are prepared on a calendar year basis. The above budget represents one-half of the 2014 budget and one-half of the 2015 budget.

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Karlin & Long, LLC
Certified Public Accountants

Board of Directors

Northeast Kansas Multi-County Health Departments, Inc.

Hiawatha, Kansas 66434

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDIT STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business activities of Northeast Kansas Multi-County Health Departments, Inc. (a nonprofit organization) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Northeast Kansas Multi-County Health Departments, Inc.'s basic financial statements, and have issued our report thereon dated October 26, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeast Kansas Multi-County Health Departments, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Northeast Kansas Multi-County Health Departments, Inc.'s internal control. Accordingly we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Board of Directors
Northeast Kansas Multi-County Health Departments, Inc.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Kansas Multi-County Health Departments, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Karlin & Long, LLC
Certified Public Accountants

October 26, 2015
Lawrence, Kansas